PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION G-3390**
DATE: September 7, 2006

R E S O L U T I O N

Resolution G-3390. Pacific Gas and Electric Company (PG&E) requests authority to commence a credit card option pilot program for a 12-month period. PG&E's request is approved with modification.

By Advice Letter (AL) 2744-G/2861-E filed on July 14, 2006.

SUMMARY

PG&E requests authorization to implement a 12-month pilot program which will allow customers to pay their bills using a credit card without being charged a transaction fee for paying by credit card. PG&E requests authorization to establish a memorandum account to track costs and savings associated with this program. This resolution approves PG&E's request with the clarification that PG&E shall recover any net costs in the memorandum account only upon Commission review and approval of these costs after the 12-month pilot program consistent with Assembly Bill 746 (AB746). AB 746 permits recovery of credit card related transaction costs from customers not using the credit card option only if the savings from this option exceed the costs of this option.

BACKGROUND

Assembly Bill 746 (AB 746) amended PU Code Section 755 on September 30, 2005 providing some guidelines related to the use of credit or debit cards for payment of utility bills. Section 755 (a)(2) states as follows:

> "Only the customers that choose to use these payment options incur the additional charge and that no portion of the expense is shifted to customers that do not choose to pay a bill by credit card or debit card, unless and until the commission determines that the savings to ratepayers exceeds the net cost of accepting those cards."

With AL 2744-G/2861-E, PG&E seeks authorization to commence a 12-month pilot credit card payment option for its customers to determine costs and savings associated with the credit card payment option. AB746 requires the Commission to make a finding that the savings from the credit card payment option exceed costs of this option before allowing recovery of these costs from customers not using the credit card option. There is no data at this time on the costs and savings that can result from the use of the credit card option. The purpose of the pilot program is to provide the Commission with such needed data. For this pilot, PG&E will not assess a transaction charge for the use of an accepted credit card for utility bill payment during the pilot program, but will track these costs in a memorandum account.

During this pilot period PG&E proposes to make credit card payment options available to customers as follows:

1. Through a third-party operated pay-by-phone service, which would be available either through a call to PG&E's customer service line or at PG&E's local office.
2. Through certain incoming and outgoing calls to or from PG&E.
3. Through PG&E online.

Each of these options includes both one-time payments and a recurring billing payment option. If a customer opts for a recurring billing payment option, all future paper bills will be suppressed in accordance with Rule 9(L) and will be contingent upon the PG&E customer submitting a valid e-mail address. All credit card payment options will initially be available to residential customers that utilize an authorized personal credit card only, but may be open over the course of the pilot to one or more additional class of customers that utilize personal credit cards, as authorized by PG&E.

PG&E expects there will be some savings from this program. PG&E expects savings from the following sources:

1. Migrating payments from some higher cost payment channels to lower cost payment channels.
2. Avoiding check processing fees for those customers who pay by credit card that statistically would have paid by check.

3. Customers signing up for PG&E's paperless billing option, e-bills, thereby saving costs associated with paper billing, including postage.

PG&E also expects indirect savings to customers, such as avoided postage costs, and/or mileage costs to a payment center which PG&E will attempt to quantify during the course of this pilot program. Other indirect savings that PG&E believes will provide significant benefits to customers include: 1) the availability of another payment option to credit card holders; and 2) the ability for credit card holders to assist in budgeting dollars and timing of payments.

PG&E expects some increases in costs from this program. PG&E expects that the program may increase costs due to the following:

1. The potential for payments to migrate from lower cost options.
2. Transaction fees charged by the credit card company and the third-party processor.
3. Potential charges associated with investigation and reversal of credit card payments.
4. Systems related costs associated with installation and maintenance of any necessary infrastructure and training to support credit card payments.

PG&E proposes to run the pilot program for about 12 months. At the end of the 12-month period, PG&E will file a report with the Commission summarizing the results of the pilot and recommending next steps. This advice filing proposes that the pilot will continue in place until the Commission reaches a decision on PG&E's written recommendation.

In the report to be filed with the Commission in 12 months, PG&E plans to review the payment channels previously used by each of the credit card users, and the average costs associated therein, for the 12 months prior to the commencement of the pilot period. PG&E will then compare those costs with the costs and savings that occur as a result of the customer's credit card usage during the pilot program. PG&E expects that such a comparison will give a valid indication of how customer migration among different payment channels, each with different average costs, will affect PG&E's total payment processing costs.

The proposed program should provide the needed data concerning the costs and savings associated with using a credit card to make a utility payment. The AL proposes that when the pilot program is concluded, the Commission will determine if the savings and costs are cost neutral. If the savings outweighs the costs, the costs and savings are roughly equal, or the Commission for public policy reasons and in accordance with legislation (AB746) determines that the benefits justify a continuation of the program, then PG&E will begin full implementation of the credit card program, as authorized by a Commission Decision at that time. If the costs outweigh the savings and the program is not consistent with the legislative objectives, the pilot program will sunset on the date of the Commission Decision.

PG&E will track costs and savings from this program in a Memorandum Account

The Advice Letter requests authority for PG&E to establish a Credit Card Pilot Program Memorandum Account (CCPPMA) to track costs and savings associated with the acceptance of credit card payments.

The tariff language proposed by PG&E for the memo account provides for a transfer of all or a portion of the balance in the CCPPMA to PG&E's Distribution Revenue Adjustment Account (DRAM) or its successor, for future rate recovery, as may be approved by the Commission.

NOTICE

Notice of AL 2744-G/2861-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS/COMMENTS

No protest was filed.

On August 1, 2006, American Express submitted comments on AL 2744-G/2861-E. American Express suggested additional savings categories that could be included in the CCPPMA. It also noted that PG&E's system costs associated with installation and maintenance of necessary infrastructure and training, are predominately one-time costs that could disproportionately impact PG&E's 12 month analysis. Finally, American Express asserted that higher levels of "customer satisfaction" should be considered by the Commission in its assessment of the pilot program.

DISCUSSION

The design and implementation details of this pilot program are reasonable. The program will provide a means by which to determine whether the costs associated with credit card bill payments are offset by the savings. The Commission supports providing customers with another easy means by which to pay their utility bills consistent with AB746 which has the intent of protecting customers not using the credit card option from the net costs of the credit card option. The Commission appreciates PG&E's initiative and leadership in setting up this pilot program to provide the Commission with the information needed to design rules for instituting credit card payment option on a permanent basis.

Initially, PG&E plans to make the credit card option pilot program available to residential customers that utilize an authorized personal credit card only, but requests flexibility to allow for possible participation by other customer classes in the pilot program that utilize an authorized personal credit card. The Commission does not find the expansion of the program to other classes problematic. Therefore, PG&E may offer the program to other classes, as it finds appropriate.

AB 746 requires that only the customers that choose to use the payment option incur the additional charge and that no portion of the expense is shifted to customers that do not choose to pay a bill by credit card or debit card, unless and until the commission determines that the savings to ratepayers exceeds the cost of accepting those cards.

PGE proposes not to charge individual ratepayers who use credit cards during the period of the pilot program any transaction costs, but will instead track these costs in a memorandum account along with the savings. In its Preliminary Statement on p. 24075-G and 25069-E of the tariff sheets, PG&E appropriately states that once the pilot program has concluded, the Commission will determine if the savings are cost neutral or not and that if the costs outweigh the savings and the program is not consistent with the legislative objectives, the pilot program will sunset on the date of the Commission Decision.

Recovery of costs in CCPPMA authorized by this resolution will be subject to review and approval by the Commission at the end of the 12 month pilot program consistent with AB746. The CCPPMA proposed in this Advice Letter will record costs and savings resulting from the pilot effort. To the extent that at the conclusion of the pilot, the CCPPMA account has costs exceeding benefits and PG&E wants to recover the net costs remaining, PG&E will need to seek authorization for recovery of these costs at that time. The Commission will review these costs consistent with AB746. PG&E is directed to modify the CCPPMA tariff language on sheet 24075-G and 25069-E under "Accounting Procedure" as follows:

> **5. Accounting Procedure**
> PG&E will seek authorization from the Commission to recover any costs associated with the pilot program at the end of the 12-month pilot program.

PG&E should take out language that states that it will make a credit and debit entry on a semi-annual basis to transfer all or part of the balance in the CCPPMA to the Distribution Revenue Adjustment Mechanism (DRAM), or its successor account, as approved by Commission decision. PG&E is directed not to transfer the balance in the CCPPMA until the Commission has reviewed and approved the pilot program costs for recovery upon the conclusion of the 12-month pilot program.

American Express (AE) recommended that additional costs savings categories be included in the CCPPMA. While the savings categories suggested by AE appear to be more specific than PG&E's tariff language, and PG&E should consider AE's comments, they appear to be captured by PG&E tariff language. The Commission shall not require PG&E to revise the CCPPMA Tariff language.

AE also asserted that the one-time costs associated with installation and maintenance of infrastructure and training could disproportionately impact PG&E's 12-month analysis. We have no basis at this time on which to determine whether AE's assertion is true or not. However, if some long-term, one-time costs are incurred, PG&E may explain this in its report on the pilot program and should propose how such costs should be treated in a comparison against savings.

PG&E should file its report after the 12-month pilot program and any request to recover program costs in the CCPPMA in an application to the Commission.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to reduce the 30-day comment period required by PU Code section 31l(g)(1). Accordingly, this matter will be placed on the Commission's September 7, 2006 agenda.

PG&E filed comments on August 28, 2006. PG&E said that it now intends to allow all residential customers with the possibility of additional customer classes to participate in the program, so long as they only use approved personal credit cards. We accept this modification in PG&E's program and revised our resolution accordingly.

FINDINGS

1. PG&E filed AL 2744-G/2861-E seeking authorization to revise its tariff to provide for a 12-month pilot credit card payment option for its customers.

2. The pilot effort will attempt to identify savings and costs to ratepayers of credit card bill payments.

3. PG&E will file a report with the Commission summarizing the results of the pilot and recommending next steps. That report should be filed by application.

4. PG&E's pilot program should allow for the participation of residential customers with the possibility of additional customer classes' participation over the course of the program so long as all participants use authorized personal credit cards.

5. During the pilot PG&E will not charge the customer choosing to use the credit card payment option.

6. If the savings outweigh or are equal to the costs and the program is consistent with legislative objectives, PG&E will implement a permanent credit/debit card payment option when authorized by a Commission decision.

7. If the costs outweigh the savings and the program is not consistent with legislative objectives, PG&E will terminate the program as authorized by the Commission.

8. PG&E should transfer all or a portion of the balance in its CCPPMA to its DRAM or successor account only if the savings equally or more than offset the costs.

THEREFORE IT IS ORDERED THAT:

1. PG&E's proposed pilot credit card program is approved with modifications.
2. PG&E shall revise the CCPPMA to indicate that PG&E shall seek authorization from the Commission to recover any program costs.
3. PG&E shall file a supplemental advice letter within 5 days from today to make this revision.
4. PG&E shall provide its report on the pilot program and any request for program cost recovery by application.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 7, 2006 the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners